

Message Text

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ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-01 INR-10 IO-14 NEA-11 NSAE-00 ICA-20
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FM AMEMBASSY WELLINGTON

TO USMISSION GENEVA

INFO SECSTATE WASHDC 5692

AMEMBASSY CANBERRA

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UNCLAS WELLINGTON 02966

GENEVA FOR USMTN

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E.O.11652:N/A

TAGS: ECON, EAGR, MTN, OECD, NZ

SUBJECT: PROPOSED PRICE SUPPORT SCHEME FOR NEW ZEALAND

AGRICULTURAL PRODUCTS

1. RECENTLY ANNOUNCED NEW ZEALAND BUDGET FOR 1978/79 FINANCIAL YEAR (REPORTED SEPTEL) INTRODUCED NEW PROGRAM OF MINIMUM PRICE SUPPORTS WHICH MAY HAVE DIRECT RELEVANCE TO AGRICULTURAL SUB-GROUP NEGOTIATIONS IN THE MTN. A FULL COPY OF THE BUDGET DOCUMENT WILL BE MAILED TO USMTN BUT GIVEN THE TIGHTNESS OF TIME WITHIN THE PRESENT MTN NEGOTIATING SCHEDULE, WE ARE SUMMARIZING HERE THE ESSENTIAL ELEMENTS OF THE GOVERNMENT PROGRAM.

2. ALTHOUGH THE PRODUCER/COMMODITY BOARDS HAVE MAINTAINED A SYSTEM OF MINIMUM PRICE GUARANTEES FOR SOME YEARS, THIS YEAR FOR THE FIRST TIME THE GOVERNMENT HAS DECIDED TO

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SUPPORT SUCH SCHEMES WITH DIRECT TAXPAYER FINANCED CONTRIBUTIONS. THE NEW MINIMUM PRICES SET BY THE GOVERNMENT ARE IN MOST CASES SUBSTANTIALLY ABOVE THE PRESENT MINIMUMS ADMINISTERED BY THE PRODUCER/COMMODITY BOARDS. SOME KNOWLEDGEABLE INDIVIDUALS HERE HAVE, HOWEVER, QUESTIONED WHETHER SUPPORTS AT THE PRESENT LEVELS CAN REALISTICALLY BE MAINTAINED.

3. FOR WOOL, FOR EXAMPLE, THE NEW MINIMUM WILL BE BASED ON AN AVERAGE OF 205 CENTS A KILOGRAM, COMPARED WITH THE PRESENT MINIMUM OF 150 CENTS .

4. THE MINIMUM FOR LAMB HAS BEEN SET AT 70 CENTS A KILOGRAM, COMPARED WITH THE 59 CENT MINIMUM PREVIOUSLY IN EFFECT. MUTTON REMAINS THE SAME AT 30 CENTS A KILOGRAM. COW BEEF RISES FROM 41 CENTS TO 70 CENTS, AND PRIME BEEF FROM 57 TO 80 CENTS.

5. FOR MILKFAT THE DAIRY FARMER IS NOW GUARANTEED A MINIMUM OF 180 CENTS A KILOGRAM, COMPARED WITH THE PRESENT MINIMUM OF 150.3 CENTS. THE SEASONAL AVERAGE MAY COME OUT AT 165 CENTS SO THE NEW MINIMUM REPRESENTS A SUBSTANTIAL RISE.

6. THE NEW MINIMUM PRICES HAVE BEEN SET FOR TWO YEARS AHEAD. THEY WILL BE ADMINISTERED THROUGH THE PRODUCER BOARDS, THE DIFFERENCE BETWEEN THE PRESENT MINIMUM AND THE NEW ONE BEING MET BY THE GOVERNMENT WHEN MARKET CONDITIONS WARRANT. THE NEW MINIMUM FOR WOOL WILL APPLY FROM JULY THIS YEAR, THE DAIRY MINIMUM FROM THE SEASON BEGINNING JUNE 1 AND THE MEAT MINIMUM FROM OCTOBER 1. ALL MINIMUM PRICES WILL APPLY FOR THE NEXT SEASON AS WELL.

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